

Exhibit 4



The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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H. E. Mr. Shukry Bishara
Minister
Ministry of Finance
Palestinian Authority
Ramallah

Your Excellency,

I am writing in response to your request for an assessment of recent macroeconomic and fiscal developments in the Palestinian territories.

The Palestinian economy slipped into recession in 2014 due to the latest war in Gaza. It is estimated that the war has shaved USD460 million off the Strip's output leading to a 15 percent contraction in its GDP. Economic activity in the private sector virtually stopped throughout the war's duration as many enterprises were partially or fully destroyed, resulting in the loss of economic capacity that will persist for some time. Gaza's infrastructure including roads, water and electricity networks also suffered significant damages estimated at about USD400 million, which has had a significant spillover effect on most economic sectors in Gaza. On the other hand, the West Bank economy expanded by 5 percent in 2014 mainly due to an increase in exports and private consumption fueled by bank loans. Overall the Palestinian economy contracted three percent in 2014 on a per capita basis.

The economic decline has had a severe impact on the livelihoods of Palestinians, particularly in Gaza. Overall unemployment increased to 27 percent in the fourth quarter of 2014. It amounted to 43 percent in Gaza – probably the highest in the world! In the West Bank, unemployment was lower at 17 percent. Particularly alarming is youth unemployment in Gaza which soared to more than 60 percent by the end of 2014.

Preliminary Bank estimates suggest that poverty in the Palestinian territories reached 25 percent in 2014. The overall rate, however, masks wide regional divergence. Poverty in Gaza was 39 percent which is almost 2.5 times higher than that in the West Bank at 16 percent. And, according to the United Nation's Relief and Works Agency (UNRWA), almost 80 percent of Gaza's population is currently aid dependent.

Even though the Palestinian Authority (PA) managed to slightly reduce its fiscal deficit in 2014, the fiscal situation remains precarious. Currently there is a financing gap in the budget of the PA that is close to half a billion US dollars. Unless additional sources of revenues and grants are identified to fully close the financing gap—which is highly unlikely—the PA will resort to additional borrowing from local banks and the

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accumulation of payment arrears. Notably, borrowing from local banks (at USD1.3 billion) is already high and close to the limit stipulated by the Palestine Monetary Authority. In addition the total stock of arrears to the private sector has exceeded USD800 million, which is highly damaging for the economy. The PA is currently not in a position to take on additional expenditures. In fact, the Bank recommends that the PA makes every effort to reduce expenditures and augment revenues in order to close the financing gap in the budget.

Sincerely,



Steen Lau Jorgensen
Country Director

Copy to:

Ms. Laila Sbaih-Eghreib
Acting Director General for International Relations & Projects
Ministry of Finance
Ramallah